Positioning Internal Audit Above Organisational Politics

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30TH MARCH 2017

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Agenda

- Introduction
- Organizational Politics
- Power and Politics
- Political Pitfalls of Internal Auditors
- Strategies of positioning IA above Organizational Politics
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Introduction

Traditionally, people understand internal audit as an activity of self imposed internal check and audit which also supposedly involved the activity of going around telling people what they were doing wrong

Introduction

Historically it was always held that internal auditing is confined to merely ensuring that the **accounting and allied records** have been properly maintained, the assets management system is in place in order to safeguard the assets and also to see whether policies and procedures are in place and are duly being complied with.

Introduction

With changing times this concept has undergone a sea of changes with regard to its definition and scope of coverage.

Modern approach suggests that it should not be restricted to financial issues alone but also on issues such as cost benefit analysis, resource utilisation and their deployment, matters of propriety, effectiveness of the management, risk management etc.

Organizational Politics

Organizational politics are informal, unofficial, and sometimes behindthe-scenes efforts to sell ideas, influence an organization, increase power, or achieve other targeted objectives.

Organizational Politics have been around for millennia.

Organizational Politics

Politics are also defined as the art of pursuing any policy along with being sagacious, prudent, shrewd, judicious, and expedient.

To survive Internal auditors must combine both the political and technical angle of their job.

Political Pyramid

Competence, integrity and loyalty are good but equally good is the understanding of the culture and politics of the organization that permit the internal auditor to negotiate successfully the political corridors of the organization.

Politics and Power

Whatever else organizations may be (problem-solving instruments, sociotechnical systems, reward systems, and so on), they are political structures. This means that organizations operate by distributing authority and setting a stage for the exercise of power.

Internal Audit Political Pitfalls



The Pitfalls of Internal Audit

Failure to focus on the principles of Internal Audit

Integrity

Objectivity

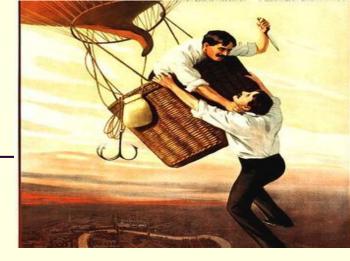
Confidentiality

Competence



The Pitfalls Continued.....

Silo Politics and Turf Wars



When members of the organization (audit included) are more concerned about their own area of operations than doing what's best for the entire organization, in the long run you may have a problem with turf wars.

This brings about territory building hence silos form within the organization

Pitfalls Continued...

Witch-hunt and Vindictiveness

Auditors are expected to be watchdogs and not blood hounds at all times guided by professional Skeptism and sound judgement. Unfortunately several times the auditors judgement is impaired by poor judgement and self interest to settle scores within the organization.



Pitfalls Contained.....

Irrelevant Reporting and Stereotypes

Auditors issue reports that are not adding value to the organization based on stereotype approach to issues.

This can either be on materiality basis or substantiveness of the audit

finding e.g



Pitfalls Continued.....

Over criticism of management and Political opposition

Auditors who criticize everything management proposes to prove relevance within the organization



Strategies of Positioning IA Above organizational Politics

Strategies of Positioning IA Above Politics

Strategy- Strategic focus on the organizational strategic objectives as articulated in the SP

As an Internal Audit Unit ensure you understand and articulate the strategy of the organization.

Strategic objectives, initiatives, milestones, etc.

Develop the IA strategy pegged on the SP which also guide the IA Work Plan

I A Structure and Team Spirit

Focus on having the right skill mix within the IA Function. IA is no longer the financial transactional function it was in the 20th Century.

Internal Audit now comprises of : Engineers, Lawyers, ICT Specialists etc

Since these skills are essential to the organization ensure you play team in delivery of the strategic objective of the organization.

Corporate Governance Role

Internal auditors must identify forces that impact governance. They must constantly fine tune their knowledge of these influences; and they must articulate, and recommend to management and audit committee, actions that will help the organisation against both traditional and emerging risks;

Internal auditors must be creative and aggressive as they seek strategies to add value, safeguard assets, and promote effective governance.

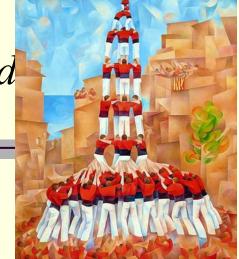
Consulting Services and Training

Consulting Services involve Internal Auditors being involved in advising management and/or other staff on other front line activities to enhance efficiency and effective of corporate operations

The IA should take time during their audits to train staff on how best to improve checks and balances

One part of internal audit's consultancy work would be to work with the management to improve systems, processes and methods of working.

Business Partner and Trusted Allay



Internal auditing approaches must be flexible and adaptable, mirroring today's changing environment;

IA need to demonstrate their understanding of the core business by recommending winning business strategies

Management will have confidence in an audit team that offer solutions or recommends various business alternatives

Catalyst for Change (Change Management)

Organizations are not static and at all times they respond to the dynamics of the ever-changing environment.

Internal Auditors should be available to review the existing exposures and opportunities and guide management to best practice.

IA MUST get involved in advocating for positive change



Quality and Value of IA Reports

Reality Vs perception- Fact Finding – active listening and questioning

Strive for organizational recognition. Senior Management has to recognize the importance of internal auditing.

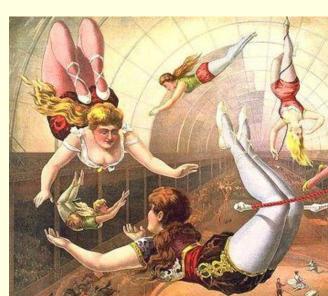
This is achieved through the quality of our work, honesty, proactive communication, objective views, thoughtful and pragmatic recommendations, etc

Enterprise Risk Management

Internal audit should be able to offer a proactive approach, which may provide advice on a framework for Enterprise Risk Management, facilitate risk identification, assessment and mitigation through the implementation of controls.

Play the part.....

Circulars, Best Practises, Risk Appetite



Communication and Interpersonal Skills

Learn the art of delivering bad news

Earn trust. It is never given freely.

To earn trust you must understand the business, maintain real world

focus, and demonstrate professionalism.

The Board Agenda

Ensure you have weighty issues to warrant Board Attention. Usually communicated by the Audit Committee chair.....

Politics and culture will usually win over rules and regulations

Internal Auditors getting out of the backyard and securing a seat at the table.

Performance focus – relentlessly pursue common performance results that benefit Senior Management, the Board, Shareholders, customers etc

Effective Use of Organizational Politics

Ethical Behaviors

- Develop power contacts
- Manage your impression
- Control vital information
- Keep informed
- Be courteous, pleasant, and positive
- Ask satisfied customer to contact your manager
- Avoid political blunders
- Use flattery sincerely

Unethical Behaviors

- Engage in backstabbing
- Embrace-or-demolish
- Stealing credit
- Play territorial games (turf wars)



In Conclusion.....

As we go back to our various organizations let us all reflect on these strategies and endeavour to navigate organisational politics......

As far as we are concerned change will not come if we wait for some other person or some other time. We are the ones we've been waiting for. We are the change that we seek — Barack Obama

The greatest danger <u>in times of turbulence</u> is not the turbulence – it is to act with yesterday's logic – Peter Drucker

THANK YOU



QUESTIONS?